Executive Committee of the
Clean Power Alliance of Southern California
Regular Meeting
Wednesday, May 17, 2023
1:30 p.m.

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CPA Office
801 S. Grand Ave., Suite 400
Los Angeles, CA 90017

Members of the public may also participate in this meeting remotely at the following locations:

Agoura Hills City Hall Planning Conference Room 30001 Ladyface Court Agoura Hills, CA 91301	Ojai City Hall Conference Room 401 S Ventura St. Ojai, CA 93023
Renaissance Esmeralda Resort Indian Wells Crystal Ballroom, Salon Room A 44400 Indian Wells Lane Indian Wells, CA 92210	Sierra Madre City Hall Council Chambers 232 W. Sierra Madre Blvd. Sierra Madre, CA 91024
Camarillo City Hall Administrative Conference Room 601 Carmen Drive Camarillo, CA 93010	Ventura County Government Center Point Mugu Conference Room, 4th Floor Hall of Administration 800 South Victoria Avenue Ventura, CA 93009
South Bay Cities Council of Governments Conference Room 2355 Crenshaw Blvd., Suite 125 Torrance, CA 90501	Los Angeles County Hall of Administration Sybil Brand Conference Room, Room 372 500 West Temple Street Los Angeles, CA 90012
Carson City Hall Executive Conference Room 701 East Carson Street Carson, CA 90745	

PUBLIC COMMENT: Members of the public may submit their comments by one of the following options:

- Email Public Comment: Members of the public are encouraged to submit written comments on any agenda item to clerk@cleanpoweralliance.org up to four hours before the meeting. Written public comments will be announced at the meeting and become part of the meeting record. Public comments received in writing will not be read aloud at the meeting.
- Provide Public Comment During the Meeting: The General Public Comment item is reserved for persons wishing to address the Committee on any Clean Power Alliance-related matters not on today's agenda. Public comments on matters on today's Consent Agenda and Regular Agenda shall be heard at the time the matter is called. Comments on items on the Consent Agenda are

consolidated into one public comment period. Members of the public who wish to address the Committee at CPA's Office are requested to complete a comment card and provide it to staff. If you are attending from a remote location, please identify yourself to a CPA representative when your item is called. Each speaker is limited to two (2) minutes (in whole-minute increments) per agenda item with a cumulative total of five 5 minutes to be allocated between the General Public Comment, the entire Consent Agenda, or individual items in the Regular Agenda. Please refer to Policy No. 8 – Public Comment for additional information.

NAVIGATING OUR AGENDA PACKETS

The meeting agenda packets are bookmarked PDFs, which display a list of agenda items to the left of the page and allow you to click to view specific items within the packet. If viewing in your browser, click the "document outline" button in the upper left corner of the screen. If the PDF is downloaded, the bookmark panel (ribbon icon) appears on the left side of the screen.

ACCESSIBILITY: Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact the Clerk of the Board at least two (2) working days before the meeting at clerk@cleanpoweralliance.org or (213) 713-5995. Notification in advance of the meeting, while not required, will enable us to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.

CALL TO ORDER AND ROLL CALL
GENERAL PUBLIC COMMENT
CONSENT AGENDA

1. Approve Minutes from April 19, 2023, Executive Committee Meeting

REGULAR AGENDA

2. Oral Update from the CEO on CPA Operations
3. Review Draft Agenda for the June 1, 2023, Board of Directors Meeting
4. Review Fiscal Year 2023/2024 Draft Budget
5. Receive Presentation on Net Energy Metering 3.0

COMMITTEE MEMBER COMMENTS
ADJOURN – NEXT REGULAR MEETING ON JUNE 21, 2023

Public Records: *Public records that relate to any item on the open session agenda for a Committee Meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all, or a majority of, the members of the Committee. Public records are available for inspection at CPA's Office at 801 S. Grand Ave., Suite 400, Los Angeles, CA 90017, or online at www.cleanpoweralliance.org/agendas.*

MINUTES
Executive Committee of the
Clean Power Alliance of Southern California
Regular Meeting
Wednesday, April 19, 2023
1:30 p.m.

Meeting videos are available on CPA's YouTube Channel.
www.youtube.com/@CPApublicmeetings

Committee Members participated in this meeting from the following locations:

Agoura Hills City Hall Planning Conference Room 30001 Ladyface Court Agoura Hills, CA 91301	CPA Office 801 S. Grand Ave., Suite 400 Los Angeles, CA 90017
Beverly Hills City Hall Council Office, 4th Floor 455 N. Rexford Drive Beverly Hills, 90210	Camarillo City Hall Administrative Conference Room 601 Carmen Drive Camarillo, CA 93010
South Bay Cities Council of Governments Conference Room 2355 Crenshaw Blvd., Suite 125 Torrance, CA 90501	Ojai City Hall Conference Room 401 S Ventura St. Ojai, Ca 93023
Sierra Madre City Hall Council Chambers 232 W. Sierra Madre Blvd. Sierra Madre, CA 91024	Ventura County Government Center Point Mugu Conference Room, 4th Floor Hall of Administration 800 South Victoria Avenue Ventura, CA 93009
UCLA Faculty Club Executive Board Room 480 Charles E. Young Drive East Lost Angeles, CA 90095	

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CALL TO ORDER & ROLL CALL

Chair Gold called the meeting to order at 1:30 p.m. and Gabriela Monzon, Clerk of the Board, conducted roll call.

Roll Call			
Agoura Hills	Deborah Klein Lopez	Committee Member	Remote
Beverly Hills	Julian Gold	Chair	Remote
Camarillo	Susan Santangelo	Committee Member	Remote
Hawthorne	Alex Monteiro	Committee Member	Remote

Los Angeles County	Lindsey Horvath	Vice Chair	Remote
Ojai	Betsy Stix	Committee Member	Absent
Sierra Madre	Robert Parkhurst	Committee Member	Remote
South Pasadena	Diana Mahmud	Committee Member	Present
Ventura County	Vianey Lopez	Vice Chair	Remote

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT
There was no public comment.

CONSENT AGENDA

1. Approve Minutes from March 15, 2023, Executive Committee Meeting

   Motion: Committee Member Parkhurst, Sierra Madre
   Second: Vice Chair Horvath, Los Angeles County
   Vote: The consent agenda was approved by a roll call vote.

REGULAR AGENDA

2. Oral Update from the CEO on CPA Operations
   None.

CLOSED SESSION

3. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
   Exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: 1

   Nancy Whang, General Counsel, reported that no reportable action was taken.

REGULAR AGENDA (continued)

4. Review Draft Agenda for the May 4, 2023, Board of Directors Meeting
   Ted Bardacke, CEO, discussed the Board regular agenda items, including the rate setting approach, budget priorities, potential long-term Power Purchase Agreements (PPAs), an informational update on summer reliability and customer communications and programs, and the election of the at-large Executive Committee position.

5. Provide Recommendation for Fiscal Year 2023/2024 Rates Approach
   Matthew Langer, Chief Operating Officer, provided a presentation on the rate setting options for Fiscal Year 2023/2024. In May, the Board will be asked to adopt a rate setting approach for the coming fiscal year that will inform the FY 2023/2024 rates to be adopted by the Board in June. Mr. Langer reviewed product pricing differentials, bill comparison levels, updated subset rates, and the rate approach for new communities enrolling in 2024. Staff recommends setting the FY 23/24

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price differential between 100% Green and Clean at 4% and the differential between 100% Green and Lean at 5% to follow the Cost of Service (COS) analysis more closely. Staff are presenting four rate comparison target options based on the contribution to the net position, Days Liquidity on Hand (DLOH), and reserve targets. The minimum reserve option would contribute $160 million to the net position, reach a 30% reserve target, and yield 111 DLOH. The low reserve option would contribute $193 million to the net position, reach a 33% reserve target, and yield 120 DLOH. The moderate reserve option would contribute $225 million to the net position, reach a 35% reserve target, and yield 129 DLOH. And the midpoint reserve option would contribute $290 million to the net position, reach a 40% reserve target, and yield 148 DLOH.

Responding to Committee Member Klein Lopez's inquiry about customer composition, staff indicated that roughly 70% of CPA customers are enrolled in 100% Green, 20% of customers in Clean, and 10% of customers in Lean. In response to Committee Member Parkhurst's question about CPA's reserves prior to the April 2023 interim rate change, Mr. Bardacke specified that without the interim rate adjustment, the reserves would have been less than 20%; staff is projecting a little over 20% reserve target with the interim rate adjustment. Committee Member Parkhurst asked questions about a possible rate scenario with a DLOH over 150 and the impact on CPA's investment grade credit rating. Mr. Langer stated that staff is working on an $80 million increase to CPA's line of credit, which would put CPA over 150 DLOH without affecting the reserve percentage. David McNeil, Chief Financial Officer, added that the rating agency will consider a wide variety of metrics for an investment grade rating, and DLOH and reserves are only two of those metrics. Responding to Committee Member Mahmud's question about customer reactions to the interim rate adjustment, Mr. Bardacke noted that although customers will not see the full impact of the bill adjustment until May, the impact on opt-outs or call center activity has been minimal. Chair Gold commented that the difference between the moderate and midpoint reserve options is relatively small for the ratepayer but large for CPA. Chair Gold expressed a preference for the midpoint reserve option. Vice Chair Horvath agreed, adding that CPA has an opportunity to invest and prepare for future volatility. The Committee reached a consensus to recommend the midpoint reserve option to the Board of Directors. Committee Member Mahmud added that if SCE's request to increase energy rates filed with the California Public Utilities Commission (CPUC) goes through, CPA's rates will be even more competitive.

Mr. Langer reviewed subset rate comparisons for the minimum, moderate, and midpoint reserve scenarios and discussed the rate approach for new member communities. Customers in Hermosa Beach, Monrovia, and Santa Paula will be placed on SCE's 2023 vintage Power Charge Indifference Adjustment (PCIA) rates when CPA begins service in March 2024. Staff recommends setting bill comparisons for new member communities at the same level as existing communities for at least the first year of service and delegating to staff the ability to adjust the rates if needed to meet these comparisons as SCE rates change within FY 23/24. Staff expect that CPA will recover the cost to serve the new

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member communities if their rates are set to match the bill comparisons for existing communities.

Committee Member Monteiro inquired about the preferred energy choice for each of the three new cities, and Mr. Bardacke indicated that Hermosa Beach is enrolled at 100% Green, while Monrovia and Santa Paula will decide once CPA adopts its new rate approach.

Two written public comments were received.

6. Review Fiscal Year 2023/2024 Budget Priorities
Mr. Bardacke provided a presentation on FY 23/24 budget priorities and operating expense highlights. Operating expenses represent 4.3% of CPA's total costs, and rising spending on customer programs and staffing are projected to increase operating expenses by approximately 26%. Staff projects that the initial budget for staffing costs will increase 43% to a still industry-leading 1.3% of revenue in the upcoming year.

Chair Gold and Committee Member Mahmud expressed support for the budget priorities.

7. Provide Feedback on Expanding Energy Procurement Options
Mr. Langer provided a presentation on expanding procurement options. Assuming resources contracted for existing Power Purchase Agreements (PPAs) come online as expected, CPA will meet its existing Mid-Term Reliability (MTR) and long-term renewable energy compliance requirements for much of the rest of this decade; CPA's short-term procurement and compliance needs are more challenging. Mr. Langer reviewed the renewable energy and Resource Adequacy (RA) pricing and availability. Competition is increasing for new resources, and staff are seeking ways to attract a competitive pool of offers so CPA can add a significant number of long-term resources to its portfolio and reduce dependence on the volatile short-term markets. Staff are exploring ideas for attracting more offers in upcoming RFOs, including requests for natural gas energy bundled with RA as a means to access RA from existing facilities that might otherwise not bid into CPA. Staff are also considering changing contract term requirements to allow 10- and 20-year contracts in addition to 15-year contracts. Natural gas energy purchases would displace Unspecified Power on the Power Content Label (PCL), but the emissions impact is unit specific; unspecified Power is generic system power that CPA purchases to meet the balance of customers' needs that is not met by specified sources.

Committee Member Parkhurst expressed support for the idea to request offers for natural gas energy bundled with RA, noting that CPA is already buying significant amounts of unspecified energy that includes natural gas. Responding to Committee Member Parkhurst's question about the risk of summer rolling blackouts, Mr. Langer shared that staff are very concerned about the risk and have been communicating their concerns to the state legislature, the CPUC, and the California Energy Commission (CEC). In response to Vice Chair Horvath's

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questions about the benefits of natural gas options, Mr. Langer indicated that natural gas plants utilize different technologies and have different emissions profiles; cleaner plants tend to run more often because they are more efficient that dirtier higher emission plants; staff would evaluate any offers received to determine the balance of clean energy and efficiency. Vice Chair Horvath emphasized the importance of protecting jobs during the clean energy transition, noting a desire to learn more on the subject given the current market conditions. Committee Member Klein Lopez inquired about the impact on the PCL and Mr. Langer explained that staff would know the emissions profile of the facility contracted before any contract would be presented to the Board. Committee Member Mahmud referenced the CPUC-issued fines to another CCA for its failure to meet RA obligations and noted CPA has the options to either pay high prices for RA or risk compliance shortfalls for RA requirements, potentially facing political and economic ramifications. Committee Member Mahmud expressed support for staff's recommended approach and commented that adding storage at existing natural gas facilities ensures energy can be dispatched and delivered as needed without interconnection challenges. Chair Gold commented that gas-powered plants have the potential for conversion to green hydrogen and possible opportunities for long-term provisions for green energy. In response to Committee Member Monteiro's inquiry about summer hydro energy, Mr. Langer indicated that the amount of hydro energy available will be dependent on several factors, including the amount needed to fill reservoirs and the speed of the snowpack melting.

COMMITTEE MEMBER COMMENTS
There were no committee member comments.

ADJOURN
Chair Gold adjourned the meeting at 3:09 p.m.

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Staff Report – Agenda Item 2

To:	Executive Committee
From:	Ted Bardacke, Chief Executive Officer
Subject:	Oral Update from the CEO on CPA Operations
Date:	May 17, 2023

The CEO will provide an oral report on CPA operations.

Staff Report – Agenda Item 3

To: Executive Committee

From: Ted Bardacke, Chief Executive Officer

Subject: Review Draft Agenda for June 1, 2023 Board of Directors Meeting

Date: May 17, 2023

Staff will provide an overview of the proposed agenda items for the June 1, 2023 Board of Directors meeting for review and feedback from the Executive Committee. The draft Board agenda is attached to this staff report. Information on the main items for Board consideration is provided below.

CONSENT AGENDA

The consent agenda for the June Board meeting will include recurring items, including quarterly reports for Communications, Finance, and Risk Management.

REGULAR AGENDA

The following items are recommended for inclusion on the Regular Agenda of the June Board meeting.

Approval of Fiscal Year 2023/2024 Rates

At the May 4, 2023 Board Meeting the Board adopted the following approach for 2023 rate setting:

a. Set the CPA product price differential between 100% Green Power and Clean Power to 4% and the differential between 100% Green Power and Lean Power to 5%;
b. Establish a consistent total bill comparison level for residential and small business rates targeting 100% Green Power rates to provide a 3% premium to SCE's March 1, 2023 rates with Clean Power at a 1% discount and Lean Power at a 2% discount;

c. Update rates for large commercial, pumping and agriculture, and streetlighting rate classes to reflect CPA's current cost of service (COS);
d. Set total bill comparisons for customers in the cities of Hermosa Beach, Monrovia, and Santa Paula at the same total bill comparison levels as customers of the current member agencies.

This approach will provide a buffer against market volatility and seasonal fluctuations in cash flow and maximize CPA's chance of receiving an investment-grade credit rating in the next year while maintaining competitive rates and bill comparisons with SCE.

At the June meeting, staff will present detailed rates and resolutions to the Board for approval based on this approach.

Approval of FY 2023/2024 Budget

This item will be subject to a separate presentation to the Executive Committee.

Credit Line Increase

Staff is in the process of negotiating an amended Credit Agreement with JPMorgan that would increase the size of CPA's existing line of credit to $160 million (from current $80 million) and update provisions of the Agreement regarding Material Adverse Changes and Material Adverse Effects. The amended Credit Agreement would increase CPA's liquidity; Days Liquidity on Hand, as described in CPA's Reserve Policy would increase by ~27 days. Changes to Material Adverse provisions provide greater assurance that the borrowing facility will be available as needed. Staff plan to review the proposed terms with the Finance Committee at its May 24 meeting and present the amended Credit Agreement to the Board for consideration.

Long-Term Power Purchase Agreement(s)

Staff is in the process of negotiating several long-term contracts that the Energy Committee authorized to begin negotiations. Should these negotiations be successful, one or more of those contracts may be presented for consideration.

Net Energy Metering 3.0 Presentation

This item will be subject to a separate presentation to the Executive Committee.

ATTACHMENT

1. Draft June 1, 2023, Board of Directors Agenda

REGULAR MEETING of the Board of Directors of the Clean Power Alliance of Southern California

Thursday, June 1, 2023

2:00 p.m.

CALL TO ORDER AND PLEDGE OF ALLEGIANCE
ROLL CALL
GENERAL PUBLIC COMMENT

CONSENT AGENDA

1. Approve Minutes from May 4, 2023, Board of Directors Meeting
2. Receive and File CY Q1 Risk Management Team Report
3. Receive and File CY Q1 Quarterly Communications Report
4. Receive and File FY Q3 Quarterly Financial Results
5. Receive and File Bill Positions Monthly Report
6. Receive and File Community Advisory Committee Monthly Report

REGULAR AGENDA

Action Items

7. Approve Fiscal Year 2023/2024 Rates
8. Approve Fiscal Year 2023/2024 Budget as Recommended by the Finance Committee
9. Adopt Resolution Authorizing and Approving Entry into an Amendment to the Revolving Credit Agreement with JPMorgan Chase Bank, N.A. and Delegating Authority to the Authorized Representatives to Execute and Deliver such Amendment and other Documents Related Thereto
10. Approve Long-Term Power Purchase Agreements(s)

Information Items

11. Receive Presentation on NEM 3.0 and Provide Feedback

MANAGEMENT REPORT
COMMITTEE CHAIR UPDATES
BOARD MEMBER COMMENTS
REPORT FROM THE CHAIR
ADJOURN – NEXT REGULAR MEETING ON JULY 6, 2023

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Staff Report – Agenda Item 4

To: Executive Committee

From: David McNeil, Chief Financial Officer
Antony Sugiarto, Manager, Financial Planning and Analysis

Approved By: Ted Bardacke, Chief Executive Officer

Subject: Draft FY 2023/2024 Budget

Date: May 17, 2023

BACKGROUND

Each year CPA develops an annual budget to govern the receipt of revenues, the incurrence of expenses, and capital expenditures during the upcoming fiscal year. The Draft Fiscal Year 2023/24 Budget is provided in Attachment 2.

The Draft FY 2023/24 Budget revenues incorporate the rate-setting approach approved by the Board at its May 4, 2023 Board meeting. Operating expenses reflect budget priorities presented to the Executive Committee, Finance Committee, Community Advisory Committee, and Board of Directors in April and May. The Draft FY 2023/24 Operating Expenses were reviewed and discussed by the Finance Committee at its April 26, 2023 meeting.

Staff will present a draft FY 2023/24 Budget to the Finance Committee on May 24, 2023, and the proposed FY 2023/24 Budget to the Board for approval on June 1, 2023.

SUMMARY

The Draft 23/24 Budget revenues reflect the rate approach approved by the Board at its May 4, 2023 Board meeting, default product changes in 2022 and 2023, new community enrollments in 2024, and an allowance for bad debt as described below.

The cost of energy reflects increased costs of energy, resource adequacy, and renewable energy and a contingency equal to 7% of cost of energy.

The increase in operating expenses reflect investments in staffing and customer programs. Operating expenses excluding staffing and customer programs are budgeted to decrease by 2% year-over-year.

The budgeted increase in the net position would bring CPA's reserve percentage to 40% by June 30, 2024 or the mid-point of the target range described in the Reserve Policy. Days liquidity on hand is expected to reach approximately 150 days consistent with the Reserve Policy target.

DISCUSSION

The Draft Budget sets forth changes to the following budget line items:

Revenue – electricity net (+$396,899,000; 34% increase): Budgeted electricity revenues are based on estimates of customer electricity usage and retail electricity rates. Budgeted revenues incorporate the rate approach approved by the Board on May 4, 2023. Budgeted revenues include an allowance for doubtful accounts equal to 1.77% of revenues or $28.4 million. Revenues are budgeted to be higher than FY 22/23 budgeted revenues due to an increase in rates as reflected in the rate approach approved by the Board at its May 2023 meeting, the full-year impact of changes in default products in Beverly Hills, Camarillo, Claremont, Hawthorne, Los Angeles County non-low-income residential, Rolling Hills Estates non-residential, Redondo Beach and South Pasadena non-residential to 100% Green in October 2022, changes in default products in Alhambra, Paramount, and Los Angeles County non-residential in October 2023, and the enrollment of three new communities (Hermosa Beach, Monrovia, and Santa Paula) in March 2024.

Other revenue (+$496,000; 18% increase): Other revenue includes operating revenue from sources other than retail electricity sales. Other revenue includes funding from the California Public Utilities Commission (CPUC) to support the Power Share program and workforce development funding provided through a renewable energy power purchase

agreement. Other revenues offset expenses budgeted in the Customer Programs, Staffing, Technical Services, Other Services, Mailers, Data Manager, and Communications budget line items.

Cost of energy (+$188,820,000; 18% increase): Cost of energy includes expenses associated with the purchase of system energy, renewable energy, resource adequacy, and charges by the California Independent System Operator (CAISO) for load, and services performed by the CAISO. CAISO charges for load are based on electricity consumed by CPA customers and related line losses and prices at the Default Load Aggregation Point (DLAP). Credits for energy generation scheduled into the CAISO market and revenues arising from Congestion Revenue Rights (CRRs) are netted from the cost of energy. CRRs are financial instruments created by the CAISO which enable load serving entities, such as CPA, to manage price differences between wholesale energy delivery locations and retail use points. CAISO credits for energy generation are based on wholesale energy deliveries and Locational Margin Prices (LMPs). The budgeted cost of energy is expected to increase year over year due to increases in energy, renewable energy, and resource adequacy costs and the inclusion of an $83.9 million (7% of cost of energy) contingency to address potential higher expenses arising from increasing energy market volatility.

Staffing (+$5,996,000; 43% increase): Staffing costs include salaries and benefits payable in accordance with CPA's Board-approved Employee Handbook and salary grades and ranges approved by the Board on December 1, 2022. A third of the increase is driven by the full-year impact of new hires, previous merit increases, and a COLA awarded in the middle of the current fiscal year. Based on the board's direction at its December 1, 2022 board meeting, a one million dollar retention program incentive has been included in the staffing budget as a placeholder. The staffing budget includes an allowance for paid internships and an intern-to-employment fellowship program currently under development.

FY 2023/24 budgeted staffing costs is composed of the following:

	FY 2023/24 Staffing Cost Increase - Detail	$	% of Increase
A	FY 2022/23 Budget	13,976,000	
	Full Year Impact of 22/23 Mid year merit increases and New Hires	1,939,000	32%
	COLA (5%)	734,000	12%
	Merit/Promotion	890,000	15%
	Retention Incentive	1,000,000	17%
	New Positions	1,433,000	24%
B	Subtotal Increase	5,996,000	100%
C=A+B	FY 2023/24 Budget Total	19,972,000	
D=B/A	YOY % Increase	43%	

$432k of staffing expenses are reimbursable via CPUC customer program funding (Power Share).

Technical services (+$373,000; 26% increase): Technical services comprise professional services for scheduling coordination, short and long-term energy contracting, risk and portfolio management, and support for customer programs where engineering or other technical expertise is required. Scheduling coordinators provide a variety of services including scheduling generating and storage assets and customer energy use into the CAISO markets, managing CRR purchases and sales, validating CAISO invoices, and providing risk management and energy contract management software. The increase in technical services arises primarily from a provision for a new or amended agreement for scheduling coordinator services that is expected to be negotiated later this year and would come into effect in January 2024.

FY 2023/24 budgeted technical services are composed of the following:

	2022/23	2023/24	Diff $	Diff %
Scheduling Coordinator	969,000	1,269,000	300,000	31%
Middle Office & LF Support	-	33,000	33,000	0%
Energy planning & Risk Management	108,000	-	(108,000)	-100%
Procurement planning & Support	165,000	221,000	56,000	34%
Other	194,000	286,000	92,000	47%
Technical Services	**1,436,000**	**1,809,000**	**373,000**	**26%**

Legal services (-$189,000; 15% decrease): Legal services support CPA's contracting, including energy contracting for short-term and long-term energy, resource adequacy, and non-energy contracting, including banking, finance, and local programs. Legal services also include support for specific regulatory proceedings (e.g., SCE's ERRA Applications, SCE General Rate Case, and other compliance obligations), employment matters, governance, and general liability management. The majority of the budget in this section is provided by the firms listed in the following table:

Legal Service	Major Providers
Energy Contracting	Hall Energy Law Clean Energy Counsel Keyes & Fox Buchalter
Regulatory Compliance and CPUC Proceeding Advocacy	Braun Blaising Smith Wynne Keyes & Fox
Customer Programs Support	Shute, Mihaly, & Weinberger
Banking and Finance	Chapman
Employment Law and Compliance	Polsinelli
General Liability and Governance	Burke Williams & Sorensen

Other services (+$73,000; 4% increase): Other services represent professional services not budgeted under Technical or Legal services and include costs associated with energy compliance auditing, financial audits and audit support, rate setting, lobbying

services, non-technical assistance for local programs, and staff support services including recruitment, payroll, and benefits administration, IT support, and labor compliance.

The proposed budget increase is due primarily to budgeting for additional services from HR consultant Mercer (retention incentive and the development of a Management Training Program) and increased information technology (IT) services.

FY 2023/24 budgeted other services expenses are composed of the following:

	2022/23	2023/24	Diff $	Diff %
Audit & Accounting Services	138,000	120,000	(18,000)	-13%
Prof - Collection Services (NEW)	297,000	297,000	-	0%
Prof - HR & Payroll Consulting	125,000	214,000	89,000	71%
Prof - IT Services	414,000	497,000	83,000	20%
Prof - Legislative/Lobbying	152,000	166,000	14,000	9%
Prof - Strategic Planning	370,000	363,000	(7,000)	-2%
Prof - REC Audit and Registry	44,000	51,000	7,000	16%
Prof - Regulatory Services	213,000	201,000	(12,000)	-6%
Prof - Rate Setting Support	149,000	66,000	(83,000)	-56%
Prof - Other Consultants	-	-	-	0%
Total	**1,902,000**	**1,975,000**	**73,000**	**4%**

Communications and marketing services (+$139,000; 7% increase): Communications and related services include costs associated with customer outreach, marketing, branding, website management, translation, advertising, special events, and sponsorships. The increase in marketing expenses reflects investments in CPA's website, enhanced digital communications, customer outreach, and outreach to increase brand awareness and reputation enhancement, and other costs for events related to CPA's 5th anniversary, ribbon cutting events for local projects, and inflation costs for advertising. CBO grants, approximately $275,000 in FY2023/24, are now almost exclusively funded through a separate grant program administered by Calpine Energy Services.

FY 2023/24 budgeted communications expenses and offsetting revenue (the latter recorded in the other revenue budget line item) are composed of the following:

	2022/23	2023/24	Diff $	Diff %
Advertising	435,000	644,000	209,000	48%
Communication Consultants	1,126,000	932,000	(194,000)	-17%
Sponsorships	100,000	147,000	47,000	47%
Website	144,000	239,000	95,000	66%
Communication - Others	18,000	31,500	13,500	75%
Special Events	25,000	132,000	107,000	428%
CBO Grants	170,000	31,500	(138,500)	-81%
Communication & Outreach	2,018,000	2,157,000	139,000	7%
Third Party Funding				
Power Share (CPUC Funding)	(366,500)	(106,000)	260,500	-71%
Workforce Development	(25,900)	-	25,900	-100%
Communication Costs net of Funding	1,625,600	2,051,000	425,400	26%

Customer notices and mailing services (-$323,000; 24% decrease): Notices and mailing services support required communication with CPA customers and include printing and postage costs. Costs are decreasing primarily due to a decrease in default change notice mailing from 6 to 3 cities and the annual NEM True-up letter mailing that is now being conducted in-house.

FY 2023/24 budgeted customer notices and mailing services are composed of the following:

	2022/23	2023/24	Diff $	Diff %
Enrollment Notices/All mailers	129,000	183,000	54,000	42%
Customer Letters	595,000	42,000	(553,000)	-93%
Joint Rate Comparison Mailer	220,000	242,000	22,000	10%
Power Content Label Mailer	273,000	328,000	55,000	20%
Mailers - Other	129,000	228,000	99,000	77%
Total Mailers costs	**1,346,000**	**1,023,000**	**(323,000)**	**-24%**

Billing data management services (+$744,000; 7% increase): Billing data manager costs are based on the number of customer meters served by CPA and per-meter rates charged by CPA's billing data manager, Calpine Energy Services. Increased costs reflect a 2.5% inflation escalator on per-meter charges included in the Calpine contract approved by the Board on April 1, 2021 and the enrollment of new customers planned for March 2024.

Service fees – SCE (+$49,000; 2% increase): Service fees are charged by SCE for a variety of customer billing and administrative services. The increase in service fees results from adding in contingencies to cover unforeseen costs from SCE.

Customer Programs (+$4,980,000; 107% increase): Customer programs represent direct costs associated with providing energy programs to CPA customers and other related services. Direct costs include both incentives for participation and payments to third parties for program implementation. The FY 2023/24 customer programs budget supports the CPA Power Share program (100% reimbursable from CPUC), CPA's EV charger rebate program which provides matching funds for electric vehicle charger incentives administered by the Center for Sustainable Energy/CALeVIP program, ongoing Power Response, Power Ready, and Electrification Reach Code programs, new Local Government, Customer Energy Storage and Electrification programs, and workforce development funded through a long term renewable energy power purchase agreement.

FY 2023/24 budgeted customer programs expenses are composed of the following:

Program	Expense Type	2022/23	2023/24	Diff $	Diff %
CalEVIP (LA)	Implementation	28,000	35,000	7,000	25%
CalEVIP (Ventura)	Implementation	11,000	11,000	-	0%
Power Response	Implementation	483,000	831,000	348,000	72%
Building Electrification	Implementation	275,000	201,000	(74,000)	-27%
Local Government Program	Implementation	-	1,160,000	1,160,000	0%
Electrification Advisor	Implementation	-	230,000	230,000	0%
Solar + Storage Program	Implementation	-	150,000	150,000	0%
Sub total	**Implementation**	**797,000**	**2,618,000**	**1,821,000**	**228%**
CalEVIP (Ventura)	Incentives	533,000	338,000	(195,000)	-37%
CalEVIP (LA)	Incentives	300,000	857,000	557,000	186%
Building Electrification	Incentives	125,000	150,000	25,000	20%
Power Response	Incentives	1,144,000	596,000	(548,000)	-48%
Workforce Development	Incentives	349,000	516,000	167,000	48%
Power Share	Incentives	1,415,000	2,065,000	650,000	46%
Local Government Program	Incentives	-	1,550,000	1,550,000	0%
Electrification Advisor	Incentives	-	140,000	140,000	0%
Solar + Storage Program	Incentives	-	813,000	813,000	0%
Sub total	**Incentives**	**3,866,000**	**7,025,000**	**3,159,000**	**82%**
Grand Total		**4,663,000**	**9,643,000**	**4,980,000**	**107%**

General and administration (-$1,376,000; 23% decrease): General and administration costs include office supplies, phone, internet, travel, dues and subscriptions, professional development, software licenses, and other related expenses. The majority of the budget decrease in G&A arises because the FY 2022/23 Budget included $2 million for Surety Bond costs to support CPA's Financial Security Requirement. With notification from SCE that the FSR would remain at the administrative minimum over the summer of 2023, Surety Bond costs are not included in the FY 2023/24 Budget. Excluding Surety Bond costs from the FY 2022/23 Budget, FY 2023/24 "Other operating expenses" would have increased by 6%.

	2022/23	2023/24	Diff $	Diff %
Office Operating Expenses	282,000	244,000	(38,000)	-13%
Software	1,094,000	1,315,000	221,000	20%
Prof. Development	512,000	610,000	98,000	19%
HR	135,000	178,000	43,000	32%
Insurance/Surety Bond	2,309,000	139,000	(2,170,000)	-94%
Phone & Internet	172,000	167,000	(5,000)	-3%
Industry Membership Dues	498,000	562,000	64,000	13%
Depreciation & Amortization	622,000	719,000	97,000	16%
Others	253,000	567,000	314,000	124%
Total	**5,877,000**	**4,501,000**	**(1,376,000)**	**-23%**

Finance and interest expense (+$831,000; 114% increase): Finance and interest expenses represent fees, borrowing and letter of credit costs associated with CPA's loan facility. Costs include increased fees associated with an increase in CPA's credit facility with JPMorgan from $80 million to $160 million. Staff plan to discuss an amended credit agreement with the Finance Committee on May 24, 2023 and present an amended credit agreement to the Board for approval on June 1, 2023. Finance and interest expenses also include a contingency for unexpected interest and borrowing costs.

Interest income (+$3,840,000; 790% increase): Interest income represents income earned on funds in savings accounts held by River City Bank and other investment accounts. An increase in interest income arises from an expected increase in cash and cash equivalents.

Capital outlay (+$153,000; 68% increase): Expenditures associated with capital outlay will support and accommodate equipment purchases and office improvements as staff use the office on a regular basis for a full year and the Board room is occupied more often.

ATTACHMENTS

1. Draft FY 2023/24 Budget Presentation
2. Draft FY 2023/24 Budget

Item 4 – Draft FY 2023/24 Budget

May 17, 2023

Summary

1. **Key FY 2023/24 Budget Takeaways**
   - Revenues reflect the rate approach approved by the Board at its May 2023 Board meeting, default product changes in 2022 and 2023, new community enrollments in 2024 and an allowance for bad debt
   - Cost of energy reflects increased costs of system energy, resource adequacy, and renewable energy and a contingency equal to 7% of cost of energy. Increases to operating expenses reflect investments in staffing and customer programs
   - The budgeted increase in the net position would bring CPA's reserve percentage to 40% by June 30, 2024 or the mid-point of the target range outlined in the reserve policy
2. **Feedback on Retention Incentive Program**
   - Eligibility
   - Pay-out timing
   - Link to organizational performance

FY 2023/24 Budget Process

- ✓ January – April 2023 (Staff) – FY 2023/24 Goal Setting, Departmental Budgeting, Rate Design Planning, Energy Cost Projections & Consolidated Budget Planning (ongoing)
- ✓ April 19, 2023 (Executive Committee) – Budget Priorities
- ✓ April 20, 2023 (Community Advisory Committee) – Budget Priorities
- ✓ April 26, 2023 (Finance Committee) – Budget Priorities & Draft FY 2023/24 Operating Expenses Budget
- ✓ May 4, 2023 (Board) – Budget Priorities
- **May 17, 2023 (Executive Committee) – Draft FY 2023/24 Budget**
- May 24, 2023 (Finance Committee) – Draft FY 2023/24 Budget
- June 1, 2023 (Board) – Proposed FY 2023/24 Budget

Net Energy Revenue

DRAFT

	A	B	C	D	E
		FY 2022/23 Amended Budget	**FY 2023/24 Budget**	**Budget Difference ($)**	**Budget Difference (%)**
1	Revenue - Electricity net	1,182,869,000	1,579,768,000	396,899,000	34%
2	Transfer from Fiscal Stabilization Fund	-		-	
3	Other revenue	2,742,000	3,238,000	496,000	18%
4	**TOTAL REVENUE**	**1,185,611,000**	**1,583,006,000**	**397,395,000**	**34%**
5	**TOTAL ENERGY COSTS**	**1,056,282,000**	**1,245,102,000**	**188,820,000**	**18%**
6	**NET ENERGY REVENUE**	**129,329,000**	**337,904,000**	**208,575,000**	**161%**

- Budgeted revenues include the FY 2023/24 Rate Approach approved by the Board on May 4, 2023 (Lean -2%, Clean -1%, 100% Green +3% compared to Residential/Small Business SCE base rates), default rate changes in 2022 and 2023 and new customer enrollments planned for March 2024
- Bad debt expense is budgeted at 1.77% of revenue or $28.4 million up from 1.25% of revenue included in the FY 2022/23 Budget
- Energy costs (+18%) reflect higher energy, renewable energy and capacity costs arising from increasing market prices and constrained energy supply in the western United States and an energy cost contingency equal to 7% of cost of energy

FY 2023/24 Operating Income and Reserves

A	B	C	D	E
	FY 2022/23 Amended Budget	**FY 2023/24 Budget**	**Budget Difference ($)**	**Budget Difference (%)**
TOTAL OPERATING EXPENSES	**45,095,000**	**55,561,000**	**10,466,000**	**23%**
OPERATING INCOME	**84,234,000**	**282,343,000**	**198,109,000**	**235%**
NON OPERATING REVENUE (EXPENSE)	**(246,000)**	**2,763,000**	**3,009,000**	
CHANGE IN NET POSITION	**83,988,000**	**285,106,000**	**201,118,000**	**239%**
NET POSITION BEGINNING OF PERIOD	141,253,000	225,241,000	83,988,000	59%
NET POSITION END OF PERIOD	225,241,000	510,347,000	285,106,000	127%
FISCAL STABILIZATION FUND	-	-	-	
RESERVES END OF PERIOD (Net Position + FSF)	225,241,000	510,347,000	285,106,000	127%

- The 23% increase in operating expenses reflect investments in staffing and customer programs. Operating expenses other than staffing and customer programs are budgeted to decrease by 2% year-over-year
- The budgeted increase in the net position would bring CPA's reserve percentage to 40% by June 30, 2024 or the mid-point of the target range outlined in the Reserve Policy. Days liquidity on hand would increase to approximately 150 days consistent with the Reserve Policy target

Questions?

CPA CLEAN POWER ALLIANCE

Retention Incentive Overview

- CPA is facing stiff labor market competition from the energy industry and the private sector
- Competition for Executive and Management level positions with technical expertise and market experience is particularly acute – CPA turnover rates in this area are disproportionately high
- A package of updates to salary grades, benefits, and the Employee Handbook was approved by the Board in December
- The Board also directed staff to develop some form of retention incentive structure in 2023
- CPA staff worked with Mercer to identify the most feasible potential program that is industry-specific, market-driven, and considers best practices as well as cost constraints
- Mercer recommended a program structure that incentivizes retention via a 2 or 3 year vesting schedule and where incentive levels consider organizational performance
- A $1 million placeholder amount for the incentive is contained in the Draft FY 23/24 budget
- Staff is seeking feedback from the Executive Committee on key aspects of the retention incentive, which could potentially shift this budget number by a nominal amount

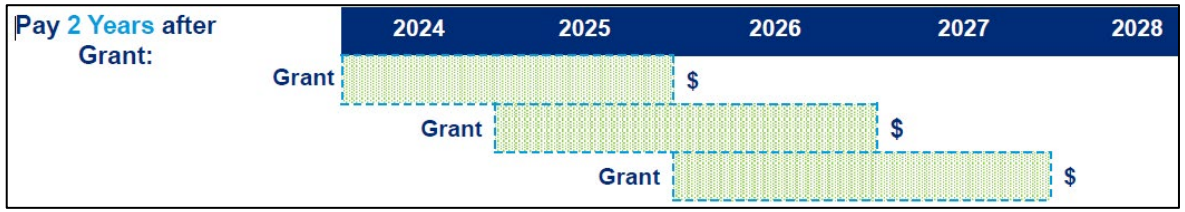
Retention Incentive Design Basics

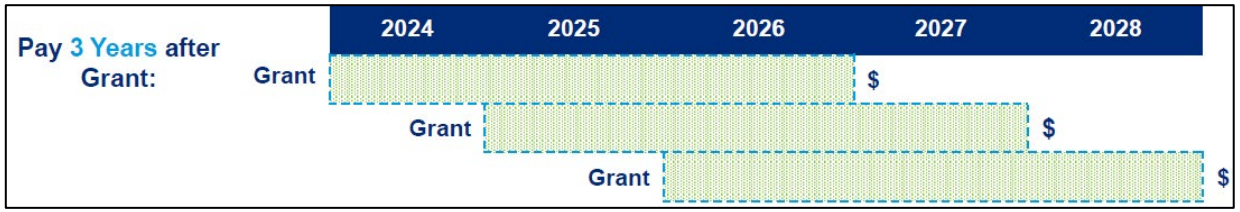
- Incentives can support staff retention by providing an additional financial reward paid out over a specific timeframe
- Retention incentives are different than short term incentives (i.e. annual bonuses) in that they are budgeted and set-aside each year but are not paid out until some years later
- If a staff member leaves before the payout date, they forfeit the incentive and the amount remains with CPA
- Retention incentives are not portable (i.e. like a public pension system). To be effective, they must be large enough and the pay out duration short enough to alter behavior
- Once begun, retention incentives are typically budgeted for every year but program parameters can be altered to adjust to labor market conditions, internal staffing goals, and compensation approaches
- As the incentive amount is based on a % of salary, the retention incentive budget would likely increase over time as salaries rise due to COLA, promotions, etc. Assuming some continued staff turnover, actual retention payouts would be less that budget

Program Structure Considerations

1. Eligibility
   - All staff (62 employees) - High cost to have an incentive level that impacts behavior
   - **Executive and Management (19 employees) - Recommended**
   - Executive only (6 employees) – Doesn't fully address current issues

2. Payout Timing
   - 3 years – Riskier if incentive is not large enough
   - **2 years – Shorter period/Addresses current labor market conditions - Recommended**

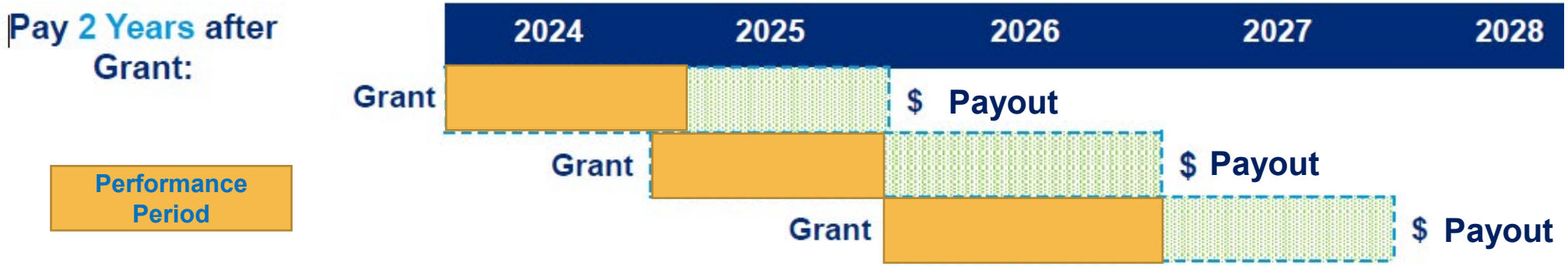




- Under a 2-year payout scenario, eligible staff would have 20% of current salary set aside for a retention incentive. (Approximately $1.1 million)
- Under a 3-year payout scenario, eligible staff would have 30% of current salary set aside for a retention incentive. (Approximately $1.6 million)

Program Structure Considerations

3. Organizational Performance Metrics
   - Retention incentive would be reduced if any of these organizational performance metrics were not met:
     - Reserve levels
     - Renewable energy procurement levels
     - Participation rate levels
   - Up to 30% of the incentive would be "at-risk" – 10% reduction for each metric that is not met
   - Incentive amount cannot increase under this structure



Discussion

CPA CLEAN POWER ALLIANCE

CLEAN POWER ALLIANCE of SOUTHERN CALIFORNIA
Fiscal Year 2023/2024 Budget
DRAFT

	FY 2022/23 Amended Budget	FY 2023/24 Budget	Budget Difference ($)	Budget Difference (%)
Revenue - Electricity net	1,182,869,000	1,579,768,000	396,899,000	34%
Transfer from Fiscal Stabilization Fund	-		-	
Other revenue	2,742,000	3,238,000	496,000	18%
TOTAL REVENUE	**1,185,611,000**	**1,583,006,000**	**397,395,000**	**34%**
TOTAL ENERGY COSTS	**1,056,282,000**	**1,245,102,000**	**188,820,000**	**18%**
NET ENERGY REVENUE	**129,329,000**	**337,904,000**	**208,575,000**	**161%**
OPERATING EXPENSES				
Staffing	13,976,000	19,972,000	5,996,000	43%
Technical services	1,436,000	1,809,000	373,000	26%
Legal services	1,243,000	1,054,000	(189,000)	-15%
Other services	1,902,000	1,975,000	73,000	4%
Communications and marketing services	2,018,000	2,157,000	139,000	7%
Customer notices and mailing services	1,346,000	1,023,000	(323,000)	-24%
Billing data management services	10,518,000	11,262,000	744,000	7%
Service fees - SCE	2,116,000	2,165,000	49,000	2%
Customer programs	4,663,000	9,643,000	4,980,000	107%
General and administration	5,877,000	4,501,000	(1,376,000)	-23%
TOTAL OPERATING EXPENSES	**45,095,000**	**55,561,000**	**10,466,000**	**23%**
OPERATING INCOME	**84,234,000**	**282,343,000**	**198,109,000**	**235%**
Finance and interest expense	732,000	1,563,000	831,000	114%
TOTAL NON OPERATING EXPENSES	732,000	1,563,000	831,000	114%
Interest Income	486,000	4,326,000	3,840,000	790%
TOTAL NON OPERATING REVENUE	486,000	4,326,000	3,840,000	790%
NON OPERATING REVENUE (EXPENSE)	**(246,000)**	**2,763,000**	**3,009,000**	
CHANGE IN NET POSITION	**83,988,000**	**285,106,000**	**201,118,000**	**239%**
NET POSITION BEGINNING OF PERIOD	141,253,000	225,241,000	83,988,000	59%
NET POSITION END OF PERIOD	225,241,000	510,347,000	285,106,000	127%
FISCAL STABILIZATION FUND	-	-	-	
RESERVES END OF PERIOD (Net Position + FSF)	225,241,000	510,347,000	285,106,000	127%
Other Uses				
Capital Outlay	225,000	378,000	153,000	68%
Depreciation & Amortization	(622,000)	(719,000)	(97,000)	16%
CHANGE IN FUND BALANCE	84,385,000	285,447,000	201,062,000	238%

Note: Funds may not sum precisely due to rounding

Staff Report – Agenda Item 5

To:	Executive Committee
From:	Karen Schmidt, Director, Rates & Strategy
Approved by:	Ted Bardacke, Chief Executive Officer
Subject:	Net Energy Metering 3.0
Date:	May 17, 2023

RECOMMENDATION

Information only.

ATTACHMENT

1. Presentation on Net Energy Metering 3.0

Item 5 - NEM 3.0 Policy Options

May 17, 2023

Summary

- The CPUC NEM 3.0 decision reduced overall compensation for roof-top solar for new solar customers. The reduced compensation primarily occurs on the delivery side of the bill and at a level that CPA cannot make up for with enhanced customer generation compensation
- The CPUC NEM 3.0 decision increased the economic payback for battery storage and provided added compensation for low-income customers
- This approach partially aligns with CPA policy goals but may be insufficient to overcome barriers to storage adoption in general and access for low-income customers
- Following meetings with the CAC NEM working group and CAC as a whole, staff's preliminary recommendation its that CPA follow the NEM 3.0 approach to export compensation, complemented by a broad-based storage rebate program with additional low-income incentives
- Staff is requesting feedback from the Executive Committee on this preliminary recommendation prior to discussing next week with the Energy Committee and the full Board in June

Presentation Overview

- Review CPA goals for implementing Net Energy Metering
- Overview of CPUC's final decision and impact to CPA customers
- CPA policy options
- Next steps

CPA NEM goals

- Support grid reliability
- Incentivize energy storage adoption
- Expand access for low-income customers

CPUC's NEM 3.0 decision and CPA impacts

- **Existing customers** already on NEM 1.0 and 2.0 tariffs
  - CPA's ~66,000 existing NEM customers will remain on their current NEM 1.0 or 2.0 tariff for the duration of their 20-year legacy period – no change
  - CPA will place new NEM customers on its existing NEM 2.0 tariff until the CPA Board adopts a new NEM policy
  - Current NEM customers cost CPA $28 - $36 million per year*; that amount will slowly decline over time as 20-year legacy periods expire – see slide 17 for details
- **Export compensation** (payments for energy generated in excess of consumption) are now based on hourly Avoided Cost Calculator (ACC) values rather than retail rates
  - Incentivizes storage adoption through export values that reflect value of relieving grid stress
  - Reduced payback versus NEM 2.0 occurs primarily on the delivery side of customer bills
  - Adders ("ACC plus") on the delivery side of residential bills for systems installed in years 1-5
- **Low-income customers** receive a 2x incentive adder for systems installed in years 1-5

*Net financial costs to CPA, including payments to NEM customers for energy exported to the grid, avoided CPA market energy purchases and Resource Adequacy requirements, and avoided customer retail energy purchases. Does not include indirect environmental, grid, or customer benefits.

CPA Policy Options

CPA CLEAN POWER ALLIANCE

CPA NEM Policy Options

Options

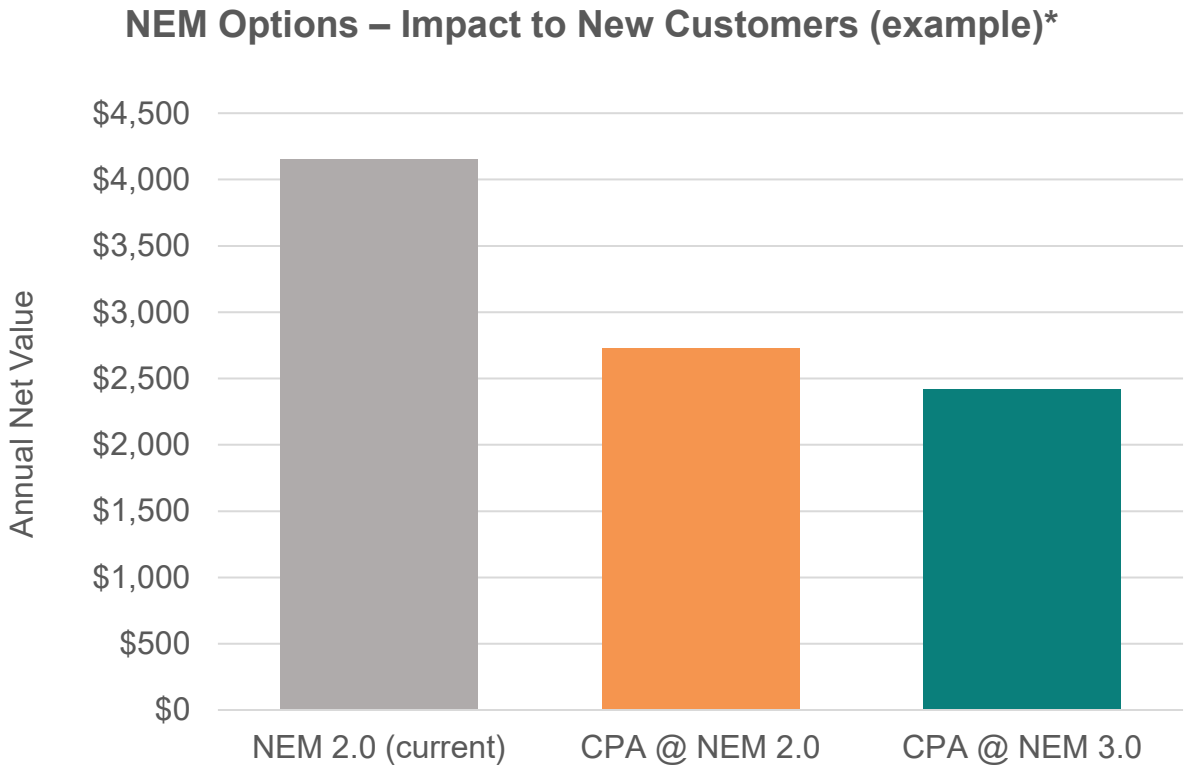
- Continue NEM 2.0 tariff – compensate new customers at retail rates
- Follow CPUC NEM 3.0 – compensate new customers at ACC
- Provide additional incentives for storage and low-income customers through rate design and/or through customer programs

Considerations

- Impact on customer behavior
- Impact on CPA policy goals
- Financial impact to CPA

NEM 2.0 vs. 3.0: Value to Customers

- Continuing to place new CPA solar customers on NEM 2.0 would not offset the reduction in system payback which is concentrated on the delivery side of customer bills



**Non-CARE customer with average CPA NEM residential load (8,497 kWh/year), 6.2 kW PV,10 kWh/5 kW battery system, no adders.*

NEM 2.0 vs. 3.0: CPA Policy Goals

- NEM 3.0 increases the incentive for storage compared to NEM 2.0
- CPA remaining at NEM 2.0 would reduce incentive to adopt storage compared to NEM 3.0 because NEM 3.0 generation compensation is significantly higher for peak-demand hours
- Low-income customer impact
  - Generally NEM 3.0 pays customers less than NEM 2.0, even with low-income adders
  - NEM 3.0 reduces the disparity in NEM value to CARE versus non-CARE customers, but the adders are unlikely to be sufficient in overcoming economic and other barriers for low-income customers

NEM 3.0 Scenarios – Storage Premium (example)*

Scenario	Added Value to Customer ($/year)	Storage Premium
NEM 2.0 (current)	$596	17%
CPA @ NEM 2.0	$697	34%
CPA @ NEM 3.0	$906	60%

**Non-CARE customer with average CPA NEM residential load (8,497 kWh/year), 6.2 kW PV, 10 kWh/5 kW battery system, no adders.*

NEM 2.0 vs. 3.0: Projected CPA annual cost - New Customers

- While the benefit to new solar customers of CPA staying on NEM 2.0 would be modest, the added cost to CPA would be significant
- Actual costs will depend on multiple factors including customer adoption rates over time, battery sizing, and optimization of battery dispatch

NEM 3.0 – Estimated CPA Annual Cost in 2030

Scenario	Program Cost in 2030 ($M)			% of Revenue		
	Low Growth (5%)	Mid Growth (10%)	High Growth (15%)	Low Growth (5%)	Mid Growth (10%)	High Growth (15%)
CPA @ NEM 2.0	$14.9	$29.8	$44.6	0.9%	1.9%	2.8%
CPA @ NEM 3.0	$5.7	$11.3	$17.0	0.4%	0.7%	1.1%
Total new NEM customers in 2030	22,627	45,254	67,880			

Rate adders

- CPA could adopt a rate adder – either a percentage increase or a flat cents per kilowatt-hour (c/kWh) adder to the ACC value – to increase the incentive for storage adoption and/or to increase compensation for low-income customers
- A CPA rate adder could have marketing benefits. Industry partners believe that upfront incentives or rebates will have a much higher impact on customer decisions compared to rate adders
- The cost to CPA of a rate adder over time is hard to predict. Costs could be contained by limiting the number of years the adder is offered, capping the adder value, and/or only applying the adder to certain hours (e.g., on peak)

Scenario	Estimated Incremental Cost to CPA in 2030*
10% Adder	$0.5M-$1.0M
10% Adder on-peak only	$0.1M-$0.4M

**Assuming mid growth (10%) scenario, approximately 45,000 customers in 2030.*

Incentives and Programs for Storage Adoption

- Incentives and other customer programs may provide a bigger boost to adoption of storage resources than rate adders
- Via Power Response, CPA currently offers existing customers with storage a one-time $300-$400 enrollment payment and a $100-$300 annual participation incentive
- The Draft FY 2023/24 Budget includes funds for a rebate program to spur new battery installations:
  - $750 battery rebates for residential customers; $1,000 battery rebates for low-income customers and a 20% low-income set-aside
  - Proposed $812,500 incentive budget would provide rebates to ~1,028 residential customers
  - Incentives could be layered on top of federal tax credits and state incentives
- Other battery incentives or programs CPA is exploring include:
  - Discounted direct installation of storage for low-income customers
  - Partnering with storage providers to provide discounts to CPA customers
  - On-bill financing re-payment for storage

Preliminary Recommendation

- Set CPA's export compensation rate consistent with Avoided Cost Calculator values adopted by CPUC's NEM 3.0 decision
  - Keeping new solar customers on NEM 2.0 will not offset NEM 3.0's reduced compensation which occurs primarily on the delivery side of the bill and would come with significant costs to CPA
  - Adopting ACC-based export compensation is consistent with CPA's policy goals of supporting grid reliability and encouraging storage adoption
  - Consistency with new solar customer offerings across the state and SCE territory which will simplify CPA and installer communications and minimize customer confusion

- Adopt a broad-based storage incentive program, consistent with the Draft FY2023/24 Budget, in conjunction with implementation of the new NEM 3.0 tariff

Next Steps

- Present NEM tariff options to Energy Committee in May and to the Board in June
- Conduct additional analysis on options and costs and draft detailed NEM tariff reflecting Board and CAC feedback
- Present proposed NEM tariff and battery incentive program details to Board in July

Questions

CPA CLEAN POWER ALLIANCE

Appendix

CPA CLEAN POWER ALLIANCE

How much does NEM 2.0 cost CPA?

Category	Estimated Annual CPA Cost (excl. retail rev)	Estimated Annual CPA Cost (incl. retail rev)
Retail energy sales avoided through customer on-site generation*	$3.7M	$14.4M
CPA payments to customers for energy exported to grid	$27.8M	$27.8M
CPA avoided market energy purchases	($3.3M)	($5.5M)
Reduction in CPA Resource Adequacy requirement	($0.6M)	($0.6M)
Total	**$27.6M**	**$36.1M**
Total as % of Projected FY22-23 Revenue	~2.3%	~3.0%

**Includes allocation of CPA fixed costs.*

- CPA has about 63,000 residential and 1,600 commercial existing NEM customers
- Annual costs will continue until existing customers' 20-year legacy period expires

How much would NEM 3.0 cost CPA?

- Assuming CPA mirrors CPUC/SCE approach and CPA NEM load grows 10% per year from 2023 to 2030 (about 7,900 customers per year or 59,000 customers in total)
- Actual costs will depend on multiple factors including customer adoption rates over time and optimization of battery storage and dispatch

Category	Estimated Annual CPA Cost in 2030 (excl. retail rev)	Estimated Annual CPA Cost in 2030 (incl. retail rev)
Retail energy sales avoided through customer on-site generation	$3.1M	$11.8M
CPA payments to customers for energy exported to grid	$4.4M	$4.4M
CPA avoided market energy purchases	($2.7M)	($4.5M)
Reduction in CPA Resource Adequacy requirement	($0.4M)	($0.4M)
Total	**$4.3M**	**$11.3M**
Total as % of Projected FY23-24 Revenue	~0.4%	~0.9%

NEM 2.0 vs. 3.0: Customer Value

NEM 3.0 Scenarios – Storage Premium (examples)*

Scenario	Low Scenario		Mid Scenario		Mid Scenario (2X storage)	
	Added Value to Customer ($/year)	Storage Premium	Added Value to Customer ($/year)	Storage Premium	Added Value to Customer ($/year)	Storage Premium
NEM 2.0 (current)	$542	23%	$596	17%	$1,118	31%
CPA @ NEM 2.0	$632	46%	$697	34%	$1,297	64%
CPA @ NEM 3.0	$822	78%	$906	60%	$1,728	114%

*Low Scenario: average CPA non-NEM residential customer load (6,152 kWh/year), 4.1 kW PV, 9.3 kWh/5 kW battery. Mid Scenario: average CPA NEM residential customer load (8,497 kWh/year), 6.2 kW PV, 10 kWh/5 kW battery. Mid Scenario (2X storage): same as Mid Scenario with 20 kWh/10 kW battery system.